



ANNUAL STATEMENT
For the Year Ending December 31, 2006
OF THE CONDITION AND AFFAIRS OF THE
Paramount Care of Michigan

NAIC Group Code	1212 (Current Period)	1212 (Prior Period)	NAIC Company Code	95566	Employer's ID Number	38-3200310
Organized under the Laws of	Michigan		State of Domicile or Port of Entry	Michigan		
Country of Domicile	United States of America					
Licensed as business type:	Life, Accident & Health[] Dental Service Corporation[] Other[]		Property/Casualty[] Vision Service Corporation[] Is HMO Federally Qualified? Yes[] No[X] N/A[]		Hospital, Medical & Dental Service or Indemnity[] Health Maintenance Organization[X]	
Incorporated/Organized	12/16/1993		Commenced Business	06/07/1996		
Statutory Home Office	106 Park Place (Street and Number)		Dundee, MI 48131 (City, or Town, State and Zip Code)			
Main Administrative Office			106 Park Place (Street and Number)			
	Dundee, MI 48131 (City or Town, State and Zip Code)		(734)529-7800 (Area Code) (Telephone Number)			
Mail Address	106 Park Place (Street and Number or P.O. Box)		Dundee, MI 48131 (City, or Town, State and Zip Code)			
Primary Location of Books and Records			1901 Indian Wood Circle (Street and Number)			
	Maumee, OH 43537 (City, or Town, State and Zip Code)		(419)887-2500 (Area Code) (Telephone Number)			
Internet Website Address	www.paramounthealthcare.com					
Statutory Statement Contact	Jeff Martin (Name)		(419)887-2959 (Area Code)(Telephone Number)(Extension)			
	jeff.martin@promedica.org (E-Mail Address)		(419)887-2020 (Fax Number)			
Policyowner Relations Contact			1901 Indian Wood Circle (Street and Number)			
	Maumee, OH 43537 (City, or Town, State and Zip Code)		(419)887-2500 (Area Code) (Telephone Number)(Extension)			

OFFICERS

Name	Title
John Charles Randolph Mr.	Chairman
John Charles Randolph Mr.	President
Kathleen Sheline Hanley Mrs.	Treasurer
Jeffrey Craig Kuhn Mr.	Secretary
Gary Wayne Akenberger Mr.	Sr. VP, Finance & Operations

OTHERS

Neeraj Kumar Kanwal M.D.
Mark Henry Moser Mr.

Gary Wayne Akenberger Mr.

DIRECTORS OR TRUSTEES

Nancy Ann Kessler M.D. #
Thomas Mark Sexton Mr. #

Thomas Philip Cox M.D. #
John Charles Randolph Mr.
Donna L. Ward Mrs. #

State of Michigan
County of Monroe ss

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of the said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC Annual Statement Instructions and Accounting Practices and Procedures manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

(Signature) John Charles Randolph (Printed Name) 1. President (Title)	(Signature) Jeffrey Craig Kuhn (Printed Name) 2. Secretary (Title)	(Signature) Gary Wayne Akenberger (Printed Name) 3. Sr. VP, Finance & Operations (Title)
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Subscribed and sworn to before me this _____ day of _____, 2007

a. Is this an original filing? Yes[X] No[]

b. If no, 1. State the amendment number _____
2. Date filed _____
3. Number of pages attached _____

(Notary Public Signature)

ASSETS

		Current Year			Prior Year
		1	2	3	4
		Assets	Nonadmitted Assets	Net Admitted Assets (Cols.1-2)	Net Admitted Assets
1.	Bonds (Schedule D)				
2.	Stocks (Schedule D)				
2.1	Preferred stocks				
2.2	Common Stocks				
3.	Mortgage loans on real estate (Schedule B):				
3.1	First liens				
3.2	Other than first liens				
4.	Real estate (Schedule A):				
4.1	Properties occupied by the company (less \$.....0 encumbrances)				
4.2	Properties held for the production of income (less \$.....0 encumbrances)				
4.3	Properties held for sale (less \$.....0 encumbrances)				
5.	Cash (\$.....6,487,290 Schedule E Part 1), cash equivalents (\$.....0 Schedule E Part 2) and short-term investments (\$.....5,007,801 Schedule DA)	11,495,091		11,495,091	7,141,608
6.	Contract loans (including \$.....0 premium notes)				
7.	Other invested assets (Schedule BA)				
8.	Receivables for securities				
9.	Aggregate write-ins for invested assets				
10.	Subtotals, cash and invested assets (Lines 1 to 9)	11,495,091		11,495,091	7,141,608
11.	Title plants less \$.....0 charged off (for Title insurers only)				
12.	Investment income due and accrued	21,939		21,939	
13.	Premiums and considerations				
13.1	Uncollected premiums and agents' balances in the course of collection	252,547	14,371	238,176	54,176
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due (Including \$.....0 earned but unbilled premiums)				
13.3	Accrued retrospective premiums				
14.	Reinsurance:				
14.1	Amounts recoverable from reinsurers				3,445
14.2	Funds held by or deposited with reinsured companies				
14.3	Other amounts receivable under reinsurance contracts				
15.	Amounts receivable relating to uninsured plans				
16.1	Current federal and foreign income tax recoverable and interest thereon				
16.2	Net deferred tax asset	110,923		110,923	107,403
17.	Guaranty funds receivable or on deposit				
18.	Electronic data processing equipment and software	7,017	395	6,622	11,038
19.	Furniture and equipment, including health care delivery assets (\$.....0)	283	283		445
20.	Net adjustment in assets and liabilities due to foreign exchange rates				
21.	Receivables from parent, subsidiaries and affiliates	639,690		639,690	1,631,590
22.	Health care (\$.....61,692) and other amounts receivable	81,366	19,674	61,692	
23.	Aggregate write-ins for other than invested assets	4,061	4,061		
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	12,612,917	38,784	12,574,133	8,949,705
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts				
26.	Total (Lines 24 and 25)	12,612,917	38,784	12,574,133	8,949,705
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)				
2301.	Prepaid rent	1,500	1,500		
2302.	Other Misc AR	2,561	2,561		
2303.	.....			
2398.	Summary of remaining write-ins for Line 23 from overflow page				
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	4,061	4,061		

LIABILITIES, CAPITAL AND SURPLUS

		Current Year			Prior Year
		1 Covered	2 Uncovered	3 Total	4 Total
1.	Claims unpaid (less \$.....62,423 reinsurance ceded)	4,025,830		4,025,830	3,032,861
2.	Accrued medical incentive pool and bonus amounts				
3.	Unpaid claims adjustment expenses	142,000		142,000	155,000
4.	Aggregate health policy reserves				
5.	Aggregate life policy reserves				
6.	Property/casualty unearned premium reserves				
7.	Aggregate health claim reserves				
8.	Premiums received in advance	499,811		499,811	341,879
9.	General expenses due or accrued	83,804		83,804	91,373
10.1	Current federal and foreign income tax payable and interest thereon (including \$.....0 on realized capital gains (losses))	553,030		553,030	
10.2	Net deferred tax liability				
11.	Ceded reinsurance premiums payable				
12.	Amounts withheld or retained for the account of others				
13.	Remittances and items not allocated				
14.	Borrowed money (including \$.....0 current) and interest thereon \$.....0 (including \$.....0 current)				
15.	Amounts due to parent, subsidiaries and affiliates	13,103		13,103	7,714
16.	Payable for securities				
17.	Funds held under reinsurance treaties with (\$.....0 authorized reinsurers and \$.....0 unauthorized reinsurers)				
18.	Reinsurance in unauthorized companies				
19.	Net adjustments in assets and liabilities due to foreign exchange rates				
20.	Liability for amounts held under uninsured plans	935,236		935,236	
21.	Aggregate write-ins for other liabilities (including \$.....0 current)				
22.	Total liabilities (Lines 1 to 21)	6,252,814		6,252,814	3,628,827
23.	Aggregate write-ins for special surplus funds	X X X	X X X		
24.	Common capital stock	X X X	X X X	10,000	10,000
25.	Preferred capital stock	X X X	X X X		
26.	Gross paid in and contributed surplus	X X X	X X X	7,990,000	7,990,000
27.	Surplus notes	X X X	X X X		
28.	Aggregate write-ins for other than special surplus funds	X X X	X X X		
29.	Unassigned funds (surplus)	X X X	X X X	(1,678,681)	(2,679,122)
30.	Less treasury stock, at cost:				
30.1	.....0 shares common (value included in Line 24 \$.....0)	X X X	X X X		
30.2	.....0 shares preferred (value included in Line 25 \$.....0)	X X X	X X X		
31.	Total capital and surplus (Lines 23 to 29 minus Line 30)	X X X	X X X	6,321,319	5,320,878
32.	Total Liabilities, capital and surplus (Lines 22 and 31)	X X X	X X X	12,574,133	8,949,705
DETAILS OF WRITE-INS					
2101.	.....			
2102.	.....			
2103.	.....			
2198.	Summary of remaining write-ins for Line 21 from overflow page				
2199.	TOTALS (Lines 2101 through 2103 plus 2198) (Line 21 above)				
2301.	.....	X X X	X X X		
2302.	.....	X X X	X X X		
2303.	.....	X X X	X X X		
2398.	Summary of remaining write-ins for Line 23 from overflow page	X X X	X X X		
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	X X X	X X X		
2801.	.....	X X X	X X X		
2802.	.....	X X X	X X X		
2803.	.....	X X X	X X X		
2898.	Summary of remaining write-ins for Line 28 from overflow page	X X X	X X X		
2899.	TOTALS (Lines 2801 through 2803 plus 2898) (Line 28 above)	X X X	X X X		

STATEMENT OF REVENUE AND EXPENSES

		Current Year		Prior Year
		1 Uncovered	2 Total	3 Total
1.	Member Months	X X X	100,420	97,677
2.	Net premium income (including \$.....0 non-health premium income)	X X X	34,469,375	30,743,039
3.	Change in unearned premium reserves and reserve for rate credits	X X X		
4.	Fee-for-service (net of \$.....0 medical expenses)	X X X		
5.	Risk revenue	X X X		
6.	Aggregate write-ins for other health care related revenues	X X X		
7.	Aggregate write-ins for other non-health revenues	X X X		
8.	Total revenues (Lines 2 to 7)	X X X	34,469,375	30,743,039
Hospital and Medical:				
9.	Hospital/medical benefits		24,895,838	23,267,287
10.	Other professional services		156,861	133,656
11.	Outside referrals			
12.	Emergency room and out-of-area		1,865,324	2,343,810
13.	Prescription drugs		3,587,444	2,638,990
14.	Aggregate write-ins for other hospital and medical			
15.	Incentive pool, withhold adjustments and bonus amounts			
16.	Subtotal (Lines 9 to 15)		30,505,467	28,383,743
Less:				
17.	Net reinsurance recoveries		66,262	254,556
18.	Total hospital and medical (Lines 16 minus 17)		30,439,205	28,129,187
19.	Non-health claims (net)			
20.	Claims adjustment expenses, including \$.....228,260 cost containment expenses		420,439	586,334
21.	General administrative expenses		2,435,193	2,708,602
22.	Increase in reserves for life and accident and health contracts (including \$.....0 increase in reserves for life only)			(300,000)
23.	Total underwriting deductions (Lines 18 through 22)		33,294,837	31,124,123
24.	Net underwriting gain or (loss) (Lines 8 minus 23)	X X X	1,174,538	(381,084)
25.	Net investment income earned (Exhibit of Net Investment Income, Line 17)		413,600	188,640
26.	Net realized capital gains (losses) less capital gains tax of \$.....0			
27.	Net investment gains (losses) (Lines 25 plus 26)		413,600	188,640
28.	Net gain or (loss) from agents' or premium balances charged off [(amount recovered \$.....0) (amount charged off \$.....0)]			
29.	Aggregate write-ins for other income or expenses		(15)	
30.	Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	X X X	1,588,123	(192,444)
31.	Federal and foreign income taxes incurred	X X X	566,791	(94,456)
32.	Net income (loss) (Lines 30 minus 31)	X X X	1,021,332	(97,988)
DETAILS OF WRITE-INS				
0601.	.....	X X X		
0602.	.....	X X X		
0603.	.....	X X X		
0698.	Summary of remaining write-ins for Line 6 from overflow page	X X X		
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)	X X X		
0701.	.....	X X X		
0702.	.....	X X X		
0703.	.....	X X X		
0798.	Summary of remaining write-ins for Line 7 from overflow page	X X X		
0799.	TOTALS (Line 0701 through 0703 plus 0798) (Line 7 above)	X X X		
1401.	.....		
1402.	.....		
1403.	.....		
1498.	Summary of remaining write-ins for Line 14 from overflow page			
1499.	TOTALS (Lines 1401 through 1403 plus 1498) (Line 14 above)			
2901.	Loss on sale of fixed assets		(15)	
2902.	.....		
2903.	.....		
2998.	Summary of remaining write-ins for Line 29 from overflow page			
2999.	TOTALS (Line 2901 through 2903 plus 2998) (Line 29 above)		(15)	

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1	2
		Current Year	Prior Year
CAPITAL & SURPLUS ACCOUNT			
33.	Capital and surplus prior reporting year	5,320,878	4,988,134
34.	Net income or (loss) from Line 32	1,021,332	(97,988)
35.	Change in valuation basis of aggregate policy and claim reserves		
36.	Change in net unrealized capital gains (losses) less capital gains tax of \$.....0		
37.	Change in net unrealized foreign exchange capital gain or (loss)		
38.	Change in net deferred income tax	3,520	(98,142)
39.	Change in nonadmitted assets	(24,411)	528,874
40.	Change in unauthorized reinsurance		
41.	Change in treasury stock		
42.	Change in surplus notes		
43.	Cumulative effect of changes in accounting principles		
44.	Capital Changes:		
44.1	Paid in		
44.2	Transferred from surplus (Stock Dividend)		
44.3	Transferred to surplus		
45.	Surplus adjustments:		
45.1	Paid in		
45.2	Transferred to capital (Stock Dividend)		
45.3	Transferred from capital		
46.	Dividends to stockholders		
47.	Aggregate write-ins for gains or (losses) in surplus		
48.	Net change in capital and surplus (Lines 34 to 47)	1,000,441	332,744
49.	Capital and surplus end of reporting year (Line 33 plus 48)	6,321,319	5,320,878
DETAILS OF WRITE-INS			
4701.	.....	
4702.	.....	
4703.	.....	
4798.	Summary of remaining write-ins for Line 47 from overflow page		
4799.	TOTALS (Lines 4701 through 4703 plus 4798) (Line 47 above)		

CASH FLOW

		1	2
		Current Year	Prior Year
Cash from Operations			
1.	Premiums collected net of reinsurance	34,439,364	30,955,059
2.	Net investment income	391,661	188,640
3.	Miscellaneous income		
4.	Total (Lines 1 through 3)	34,831,025	31,143,699
5.	Benefit and loss related payments	29,524,157	26,960,108
6.	Net transfers to Separate, Segregated Accounts and Protected Cell Accounts		
7.	Commissions, expenses paid and aggregate write-ins for deductions	2,876,216	3,229,372
8.	Dividends paid to policyholders		
9.	Federal and foreign income taxes paid (recovered) \$.....0 net of tax on capital gains (losses)	13,761	(94,455)
10.	Total (Lines 5 through 9)	32,414,134	30,095,025
11.	Net cash from operations (Line 4 minus 10)	2,416,891	1,048,674
Cash from Investments			
12.	Proceeds from investments sold, matured or repaid:		
12.1	Bonds		
12.2	Stocks		
12.3	Mortgage loans		
12.4	Real estate		
12.5	Other invested assets		
12.6	Net gains or (losses) on cash, cash equivalents and short-term investments		
12.7	Miscellaneous proceeds		
12.8	Total investment proceeds (Lines 12.1 to 12.7)		
13.	Cost of investments acquired (long-term only):		
13.1	Bonds		
13.2	Stocks		
13.3	Mortgage loans		
13.4	Real estate		
13.5	Other invested assets		
13.6	Miscellaneous applications		
13.7	Total investments acquired (Lines 13.1 to 13.6)		
14.	Net increase (decrease) in contract loans and premium notes		
15.	Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)		
Cash from Financing and Miscellaneous Sources			
16.	Cash provided (applied):		
16.1	Surplus notes, capital notes		
16.2	Capital and paid in surplus, less treasury stock		
16.3	Borrowed funds		
16.4	Net deposits on deposit-type contracts and other insurance liabilities		
16.5	Dividends to stockholders		
16.6	Other cash provided (applied)	1,936,592	(918,624)
17.	Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	1,936,592	(918,624)
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS			
18.	Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	4,353,483	130,050
19.	Cash, cash equivalents and short-term investments:		
19.1	Beginning of year	7,141,608	7,011,558
19.2	End of year (Line 18 plus Line 19.1)	11,495,091	7,141,608

Supplemental Disclosures of Cash Flow Information for Non-Cash Transactions:

20.0001		
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UNDERWRITING AND INVESTMENT EXHIBIT
PART 1 - PREMIUMS

Line of Business		1	2	3	4
		Direct Business	Reinsurance Assumed	Reinsurance Ceded	Net Premium Income (Columns 1 + 2 - 3)
1.	Comprehensive (hospital and medical)	24,505,567		228,842	24,276,725
2.	Medicare Supplement				
3.	Dental only				
4.	Vision only				
5.	Federal Employees Health Benefits Plan				
6.	Title XVIII - Medicare	10,257,711		65,061	10,192,650
7.	Title XIX - Medicaid				
8.	Stop loss				
9.	Disability income				
10.	Long-term care				
11.	Other health				
12.	Health subtotal (Lines 1 through 11)	34,763,278		293,903	34,469,375
13.	Life				
14.	Property/casualty				
15.	TOTALS (Lines 12 to 14)	34,763,278		293,903	34,469,375

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2 - CLAIMS INCURRED DURING THE YEAR

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Comprehensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Payments during the year:													
1.1 Direct	29,368,709	20,055,615					9,313,094						
1.2 Reinsurance assumed													
1.3 Reinsurance ceded	7,284						7,284						
1.4 Net	29,361,425	20,055,615					9,305,810						
2. Paid medical incentive pools and bonuses													
3. Claim liability December 31, current year from Part 2A:													
3.1 Direct	4,088,253	3,177,166					911,087						
3.2 Reinsurance assumed													
3.3 Reinsurance ceded	62,423	62,423											
3.4 Net	4,025,830	3,114,743					911,087						
4. Claim reserve December 31, current year from Part 2D:													
4.1 Direct													
4.2 Reinsurance assumed													
4.3 Reinsurance ceded													
4.4 Net													
5. Accrued medical incentive pools and bonuses, current year													
6. Net healthcare receivables (a)	(81,366)	(58,129)					(23,237)						
7. Amounts recoverable from reinsurers December 31, current year													
8. Claim liability December 31, prior year from Part 2A:													
8.1 Direct	3,032,861	2,013,434					1,019,427						
8.2 Reinsurance assumed													
8.3 Reinsurance ceded													
8.4 Net	3,032,861	2,013,434					1,019,427						
9. Claim reserve December 31, prior year from Part 2D:													
9.1 Direct													
9.2 Reinsurance assumed													
9.3 Reinsurance ceded													
9.4 Net													
10. Accrued medical incentive pools and bonuses, prior year													
11. Amounts recoverable from reinsurers December 31, prior year	3,445						3,445						
12. Incurred benefits:													
12.1 Direct	30,505,467	21,277,476					9,227,991						
12.2 Reinsurance assumed													
12.3 Reinsurance ceded	66,262	62,423					3,839						
12.4 Net	30,439,205	21,215,053					9,224,152						
13. Incurred medical incentive pools and bonuses													

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(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

10

	1	2	3	4	5	6	7	8	9	10	11	12	13
	Total	Compre- hensive (Hospital & Medical)	Medicare Supplement	Dental Only	Vision Only	Federal Employees Health Benefits Plan	Title XVIII Medicare	Title XIX Medicaid	Stop Loss	Disability Income	Long-Term Care	Other Health	Other Non-Health
1. Reported in Process of Adjustment:													
1.1 Direct	1,453,512	1,111,195					342,317						
1.2 Reinsurance assumed													
1.3 Reinsurance ceded	62,423	62,423											
1.4 Net	1,391,089	1,048,772					342,317						
2. Incurred but Unreported:													
2.1 Direct	2,634,741	2,065,971					568,770						
2.2 Reinsurance assumed													
2.3 Reinsurance ceded													
2.4 Net	2,634,741	2,065,971					568,770						
3. Amounts Withheld from Paid Claims and Capitations:													
3.1 Direct													
3.2 Reinsurance assumed													
3.3 Reinsurance ceded													
3.4 Net													
4. TOTALS													
4.1 Direct	4,088,253	3,177,166					911,087						
4.2 Reinsurance assumed													
4.3 Reinsurance ceded	62,423	62,423											
4.4 Net	4,025,830	3,114,743					911,087						

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2B - ANALYSIS OF CLAIMS UNPAID-PRIOR YEAR-NET OF REINSURANCE

		Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
		1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
Line of Business							
1.	Comprehensive (hospital and medical)	1,930,589	18,183,155	54,289	3,060,454	1,984,878	2,013,434
2.	Medicare Supplement						
3.	Dental only						
4.	Vision only						
5.	Federal Employees Health Benefits Plan						
6.	Title XVIII - Medicare	831,241	8,501,252	28,023	883,064	859,264	1,019,427
7.	Title XIX - Medicaid						
8.	Other health						
9.	Health subtotal (Lines 1 to 8)	2,761,830	26,684,407	82,312	3,943,518	2,844,142	3,032,861
10.	Healthcare receivables (a)		81,366				
11.	Other non-health						
12.	Medical incentive pool and bonus amounts						
13.	TOTALS (Lines 9 - 10 + 11 + 12)	2,761,830	26,603,041	82,312	3,943,518	2,844,142	3,032,861

(a) Excludes \$.....0 loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Grand Total

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	1,088	1,087	1,087	1,087	1,087
2.	2002	10,714	11,860	11,871	11,868	11,868
3.	2003	X X X	17,319	18,913	18,931	18,961
4.	2004	X X X	X X X	23,615	25,595	25,606
5.	2005	X X X	X X X	X X X	25,282	28,003
6.	2006	X X X	X X X	X X X	X X X	26,684

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	(380)	(430)	(430)	(430)	1,087
2.	2002	12,277	11,911	11,871	11,868	11,868
3.	2003	X X X	19,337	18,997	18,931	18,961
4.	2004	X X X	X X X	25,712	25,595	25,606
5.	2005	X X X	X X X	X X X	28,314	28,085
6.	2006	X X X	X X X	X X X	X X X	30,628

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	13,329	11,868	100	0.843	11,968	89.787			11,968	89.787
2.	2003	20,587	18,961	183	0.966	19,144	92.992			19,144	92.992
3.	2004	27,814	25,606	488	1.906	26,094	93.816			26,094	93.816
4.	2005	30,744	28,003	626	2.234	28,629	93.119	82		28,711	93.386
5.	2006	34,470	26,684	362	1.358	27,046	78.463	3,944	142	31,132	90.317

12 Total

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)
Hospital and Medical
Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	381	369	369	369	369
2.	2002	4,717	5,194	5,204	5,201	5,201
3.	2003	X X X	10,947	12,045	12,020	12,015
4.	2004	X X X	X X X	16,062	17,646	17,653
5.	2005	X X X	X X X	X X X	17,672	19,601
6.	2006	X X X	X X X	X X X	X X X	18,183

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	(182)	(204)	(204)	(204)	369
2.	2002	5,303	5,216	5,204	5,201	5,201
3.	2003	X X X	12,185	12,097	12,020	12,015
4.	2004	X X X	X X X	17,642	17,646	17,653
5.	2005	X X X	X X X	X X X	19,685	19,655
6.	2006	X X X	X X X	X X X	X X X	21,244

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	6,277	5,201	46	0.884	5,247	83.596			5,247	83.596
2.	2003	13,391	12,015	129	1.073	12,144	90.688			12,144	90.688
3.	2004	19,958	17,653	405	2.295	18,058	90.480			18,058	90.480
4.	2005	21,810	19,601	548	2.795	20,149	92.384	54		20,203	92.631
5.	2006	24,277	18,183	317	1.744	18,500	76.204	3,061	104	21,665	89.241

- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Medicare Supplement . . . NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Dental Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Vision Only NONE
- 12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Fed Emp HBPP NONE
- 12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Fed Emp HBPP NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS (000 Omitted)

Title XVIII - Medicare

Section A - Paid Health Claims

Year in Which Losses Were Incurred		Cumulative Net Amounts Paid				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	707	718	718	718	718
2.	2002	5,997	6,666	6,667	6,667	6,667
3.	2003	X X X	6,372	6,868	6,911	6,946
4.	2004	X X X	X X X	7,553	7,949	7,953
5.	2005	X X X	X X X	X X X	7,610	8,402
6.	2006	X X X	X X X	X X X	X X X	8,501

Section B - Incurred Health Claims

Year in Which Losses Were Incurred		Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
		1 2002	2 2003	3 2004	4 2005	5 2006
1.	Prior	(198)	(226)	(226)	(226)	718
2.	2002	6,974	6,695	6,667	6,667	6,667
3.	2003	X X X	7,152	6,900	6,911	6,946
4.	2004	X X X	X X X	8,070	7,949	7,953
5.	2005	X X X	X X X	X X X	8,629	8,430
6.	2006	X X X	X X X	X X X	X X X	9,384

Section C - Incurred Year Health Claims and Claims Adjustment Expense Ratio

Years in Which Premiums were Earned and Claims were Incurred		1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2 + 3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5 + 7 + 8)	10 (Col. 9/1) Percent
1.	2002	7,053	6,667	54	0.810	6,721	95.297			6,721	95.297
2.	2003	7,196	6,946	54	0.779	7,000	97.277			7,000	97.277
3.	2004	7,856	7,953	83	1.044	8,036	102.291			8,036	102.291
4.	2005	8,934	8,402	78	0.928	8,480	94.918	28		8,508	95.231
5.	2006	10,193	8,501	45	0.529	8,546	83.841	883	38	9,467	92.877

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur. Claims - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Title XIX-Medicaid NONE

12 Underwriting Invest Exh Pt 2C Sn A - Paid Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn B - Incur Claims - Other NONE

12 Underwriting Invest Exh Pt 2C Sn C - Expns Ratios - Other NONE

13 Underwriting Invest Exh Pt 2D - A & H Reserve NONE

UNDERWRITING AND INVESTMENT EXHIBIT
PART 3 - ANALYSIS OF EXPENSES

		Claim Adjustment Expenses		3	4	5
		1	2			
		Cost Containment Expenses	Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1.	Rent (\$.....0 for occupancy of own building)	6,620	4,743	47,925		59,288
2.	Salaries, wages and other benefits	159,240	107,731	851,725		1,118,696
3.	Commissions (less \$.....0 ceded plus \$.....0 assumed)			761,240		761,240
4.	Legal fees and expenses			18,912		18,912
5.	Certifications and accreditation fees			790		790
6.	Auditing, actuarial and other consulting services	2,917	75,605	261,957		340,479
7.	Traveling expenses	2,499	1,821	21,201		25,521
8.	Marketing and advertising	74	61	80,688		80,823
9.	Postage, express and telephone	2,369	766	45,927		49,062
10.	Printing and office supplies	2,628	1,230	31,565		35,423
11.	Occupancy, depreciation and amortization	106	76	26,887		27,069
12.	Equipment	687	146	124,713		125,546
13.	Cost or depreciation of EDP equipment and software					
14.	Outsourced services including EDP, claims, and other services	7,223		64,970		72,193
15.	Boards, bureaus and association fees	48		36,874		36,922
16.	Insurance, except on real estate			24,212		24,212
17.	Collection and bank service charges			778		778
18.	Group service and administration fees	43,849		4,784		48,633
19.	Reimbursements by uninsured plans					
20.	Reimbursements from fiscal intermediaries					
21.	Real estate expenses					
22.	Real estate taxes			4,160		4,160
23.	Taxes, licenses and fees:					
23.1	State and local insurance taxes			6,525		6,525
23.2	State premium taxes			5,181		5,181
23.3	Regulator authority licenses and fees					
23.4	Payroll taxes			14,180		14,180
23.5	Other (excluding federal income and real estate taxes)					
24.	Investment expenses not included elsewhere					
25.	Aggregate write-ins for expenses					
26.	Total expenses incurred (Lines 1 to 25)	228,260	192,179	2,435,194		(a) ... 2,855,633
27.	Less expenses unpaid December 31, current year	73,840	68,160	83,804		225,804
28.	Add expenses unpaid December 31, prior year	80,600	74,400	91,372		246,372
29.	Amounts receivable relating to uninsured plans, prior year					
30.	Amounts receivable relating to uninsured plans, current year					
31.	Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	235,020	198,419	2,442,762		2,876,201
DETAILS OF WRITE-INS						
2501.	.....				
2502.	.....				
2503.	.....				
2598.	Summary of remaining write-ins for Line 25 from overflow page					
2599.	Totals (Lines 2501 through 2503 + 2598) (Line 25 above)					

(a) Includes management fees of \$.....1,782,054 to affiliates and \$.....0 to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1	2
		Collected During Year	Earned During Year
1.	U.S. Government bonds	(a).....	
1.1	Bonds exempt from U.S. tax	(a).....	
1.2	Other bonds (unaffiliated)	(a).....	
1.3	Bonds of affiliates	(a).....	
2.1	Preferred stocks (unaffiliated)	(b).....	
2.11	Preferred stocks of affiliates	(b).....	
2.2	Common stocks (unaffiliated)		
2.21	Common stocks of affiliates		
3.	Mortgage loans	(c).....	
4.	Real estate	(d).....	
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e)..... 391,661	413,600
7.	Derivative instruments	(f).....	
8.	Other invested assets		
9.	Aggregate write-ins for investment income		
10.	Total gross investment income	391,661	413,600
11.	Investment expenses		(g).....
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g).....
13.	Interest expense		(h).....
14.	Depreciation on real estate and other invested assets		(i).....
15.	Aggregate write-ins for deductions from investment income		
16.	Total deductions (Lines 11 through 15)		
17.	Net Investment income (Line 10 minus Line 16)		413,600
DETAILS OF WRITE-INS			
0901.	0		
0902.	.....	
0903.	.....	
0998.	Summary of remaining write-ins for Line 9 from overflow page		
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)		
1501.	.....	
1502.	.....	
1503.	.....	
1598.	Summary of remaining write-ins for Line 15 from overflow page		
1599.	TOTALS (Lines 1501 through 1503 plus 1598) (Line 15, above)		
(a) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(b) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued dividends on purchases.			
(c) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(d) Includes \$.....0 for company's occupancy of its own buildings; and excludes \$.....0 interest on encumbrances.			
(e) Includes \$.....0 accrual of discount less \$.....0 amortization of premium and less \$.....0 paid for accrued interest on purchases.			
(f) Includes \$.....0 accrual of discount less \$.....0 amortization of premium.			
(g) Includes \$.....0 investment expenses and \$.....0 investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.			
(h) Includes \$.....0 interest on surplus notes and \$.....0 interest on capital notes.			
(i) Includes \$.....0 depreciation on real estate and \$.....0 depreciation on other invested assets.			

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1	2	3	4
		Realized Gain (Loss) on Sales or Maturity	Other Realized Adjustments	Unrealized Increases (Decreases) by Adjustment	Total
1.	U.S. Government bonds				
1.1	Bonds exempt from U.S. tax				
1.2	Other bonds (unaffiliated)				
1.3	Bonds of affiliates				
2.1	Preferred stocks (unaffiliated)				
2.11	Preferred stocks of affiliates				
2.2	Common stocks (unaffiliated)				
2.21	Common stocks of affiliates				
3.	Mortgage loans				
4.	Real estate				
5.	Contract loans				
6.	Cash, cash equivalents and short-term investments				
7.	Derivative instruments				
8.	Other invested assets				
9.	Aggregate write-ins for capital gains (losses)				
10.	Total capital gains (losses)				
DETAILS OF WRITE-INS					
0901.	.....			
0902.	.....			
0903.	.....			
0998.	Summary of remaining write-ins for Line 9 from overflow page				
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9, above)				

NONE

EXHIBIT OF NONADMITTED ASSETS

		1	2	3
		Current Year Total Nonadmitted Assets	Prior Year Total Nonadmitted Assets	Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1.	Bonds (Schedule D)			
2.	Stocks (Schedule D):			
2.1	Preferred stocks			
2.2	Common stocks			
3.	Mortgage loans on real estate (Schedule B):			
3.1	First liens			
3.2	Other than first liens			
4.	Real estate (Schedule A):			
4.1	Properties occupied by the company			
4.2	Properties occupied for the production of income			
4.3	Properties held for sale			
5.	Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)			
6.	Contract loans			
7.	Other invested assets (Schedule BA)			
8.	Receivables for securities			
9.	Aggregate write-ins for invested assets			
10.	Subtotals, cash and invested assets (Lines 1 to 9)			
11.	Title plants (for Title insurers only)			
12.	Invested income due and accrued			
13.	Premium and considerations:			
13.1	Uncollected premiums and agents' balances in the course of collection	14,371	10,428	(3,943)
13.2	Deferred premiums, agents' balances and installments booked but deferred and not yet due			
13.3	Accrued retrospective premiums			
14.	Reinsurance:			
14.1	Amounts recoverable from reinsurers			
14.2	Funds held by or deposited with reinsured companies			
14.3	Other amounts receivable under reinsurance contracts			
15.	Amounts receivable relating to uninsured plans			
16.1	Current federal and foreign income tax recoverable and interest thereon			
16.2	Net deferred tax asset			
17.	Guaranty funds receivable or on deposit			
18.	Electronic data processing equipment and software	395	1,109	714
19.	Furniture and equipment, including health care delivery assets	283	1,336	1,053
20.	Net adjustment in assets and liabilities due to foreign exchange rates			
21.	Receivables from parent, subsidiaries and affiliates			
22.	Health care and other amounts receivable	19,674		(19,674)
23.	Aggregate write-ins for other than invested assets	4,061	1,500	(2,561)
24.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 10 to 23)	38,784	14,373	(24,411)
25.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			
26.	Total (Lines 24 and 25)	38,784	14,373	(24,411)
DETAILS OF WRITE-INS				
0901.	.....		
0902.	.....		
0903.	.....		
0998.	Summary of remaining write-ins for Line 9 from overflow page			
0999.	TOTALS (Lines 0901 through 0903 plus 0998) (Line 9 above)			
2301.	Prepays	1,500	1,500	
2302.	Other AR	2,561		(2,561)
2303.	.....		
2398.	Summary of remaining write-ins for Line 23 from overflow page			
2399.	TOTALS (Lines 2301 through 2303 plus 2398) (Line 23 above)	4,061	1,500	(2,561)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

Source of Enrollment		Total Members at End of					6
		1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1.	Health Maintenance Organizations	6,794	6,911	6,905	6,732	6,714	81,889
2.	Provider Service Organizations						
3.	Preferred Provider Organizations						
4.	Point of Service	1,307	1,450	1,548	1,679	1,689	18,531
5.	Indemnity Only						
6.	Aggregate write-ins for other lines of business						
7.	TOTAL	8,101	8,361	8,453	8,411	8,403	100,420
DETAILS OF WRITE-INS							
0601.	.....					
0602.	.....					
0603.	.....					
0698.	Summary of remaining write-ins for Line 6 from overflow page						
0699.	TOTALS (Lines 0601 through 0603 plus 0698) (Line 6 above)						

Notes to Financial Statement

1. Summary of Significant Accounting Principles

A. Accounting Practices

The financial statements of Paramount Care of Michigan (the "Company") are presented on a basis of accounting practices prescribed by the Michigan Department of Consumer and Industry Services, Office of Financial and Insurance Services.

The Michigan Department of Consumer and Industry Services, Office of Financial and Insurance Services recognizes only statutory accounting practices prescribed by the State of Michigan for determining and reporting the financial condition and results of operations of an insurance company, for determining its solvency under the Michigan Insurance Law. The National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual, (NAIC SAP) has been adopted as a component of prescribed practices by the State of Michigan. However, the state has adopted certain prescribed accounting practices that differ from those found in NAIC SAP. Specifically, furniture and equipment is not admitted in NAIC SSAP #19, *Furniture, Fixtures and Equipment; Leasehold Improvements Paid by the Reporting Entity as Lessee; Depreciation of Property and Amortization of Leasehold Improvements*, but the State of Michigan allows 25% of furniture and equipment to be admitted in 2005. Due to the inclusion of 25% of furniture and equipment, surplus increased \$446 as of December 31, 2005. Also, certain computer equipment and software is admitted including electronic data processing (EDP) equipment and operating system software, but computer equipment and software, is limited to 5% of the Company's capital and surplus, adjusted to exclude any EDP equipment and operating software, net deferred tax assets and positive goodwill, as opposed 3% of the Company's capital and surplus according to SSAP #16, *Electronic Data Processing Equipment and Software*. Effective January 1, 2006, SSAP #16 and #19 were fully adopted.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in conformity with Statutory Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

C. Accounting Policies

Health premiums are earned ratably over the terms of the related insurance and reinsurance contracts. Expenses incurred in connections with acquiring new insurance business, including acquisition costs such as sales commissions, are charged to operations as incurred.

In addition, the company uses the following accounting policies:

1. Short-term investments are stated at amortized cost.
2. Bonds are stated at amortized cost.
3. The Company has no common stock investments.
4. The Company has no preferred stock investments.
5. The Company does not invest in mortgage loans.
6. The Company has no investments in loan-backed securities.
7. The Company has no investments in subsidiaries.
8. The Company has no investments in joint ventures.
9. The Company does not invest in derivatives.
10. The Company anticipates investment income as a factor in the premium deficiency calculation, in accordance with SSAP No. 54, Individual and Group Accident and Health Contracts.

Notes to Financial Statement

11. Unpaid losses and loss adjustment expenses include an amount from individual case estimates and loss reports and an amount, based on past experience, for losses incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liability are continually reviewed and any adjustments are reflected in the period determined.

12. The Company's capitalization policy is those qualifying expenses over \$1,000.

13. The Company estimates its pharmaceutical rebate receivables based on historical recoveries per script and the number of scripts written.
2. Accounting Changes and Corrections of Errors
- NOT APPLICABLE
3. Business Combinations and Goodwill
- NOT APPLICABLE
4. Discontinued Operations
- NOT APPLICABLE
5. Investments
- A. The company does not have any Mortgage Loan investments.

B. The company is not a creditor for any Restructured Debt.

C. The company does not have any reverse mortgages.

D. The company does not have any loan-backed securities.

E. The company does not have any re-purchase agreements.
6. Joint Ventures, Partnerships and Limited Liability Companies
- NOT APPLICABLE
7. Investment Income
- The Company does not have any nonadmitted accrued investment income.
8. Derivative Instruments
- NOT APPLICABLE
9. Income Taxes
- A. The components of the net deferred tax asset (liability) at December 31 are as follows:

	2006	2005
Total of gross deferred tax assets	\$ 110,923	\$ 109,363
Total of deferred tax liabilities		(1,960)
Net deferred tax asset	110,923	107,403
Deferred tax asset nonadmitted	-	-
Net admitted deferred tax asset	110,923	107,403
(Increase) decrease in nonadmitted asset	\$ (3,520)	\$ 205,544

Notes to Financial Statement

B. The Company had no deferred tax liabilities that were not recognized as of December 31, 2006 or 2005.

C. Current income taxes incurred consist of the following major components:

	2006	2005
Federal income taxes incurred	566,791	(94,546)

The main components of the 2006 and 2005 deferred tax amounts are as follows:

	2006	2005
Deferred tax assets:		
Claims Closeout	\$ 49,700	\$ 54,250
Discounting of unpaid losses	31,772	24,693
Unearned premium	17,480	23,932
Other	11,971	6,488
Total deferred tax assets	110,923	109,363
Nonadmitted deferred tax assets	-	-
Admitted deferred tax assets	110,923	109,363
Deferred tax liabilities:		
Depreciation and Amortization		(1,960)
Total deferred tax liabilities	-	(1,960)
Net admitted deferred tax asset	110,923	107,403

The changes in the main components of the deferred tax assets and deferred tax liabilities are as follows:

	2006	2005	Change
Total deferred tax assets	\$ 110,923	\$ 109,363	\$ 1,560
Total deferred tax liabilities	-	(1,960)	1,960
Net deferred tax asset (liability)	\$ 110,923	\$ 107,403	3,520
Tax affect of unrealized gains (losses)			
Change in net deferred income tax			\$ 3,520

D. The provision for federal income taxes incurred is different from that which would be obtained by applying the statutory Federal income tax rate to income before taxes. The significant items causing this difference are as follows:

	2005	Effective tax rate
Provision computed at statutory rate	\$ 555,314	35%
Other	11,477	1%
Total	\$ 566,791	36%
Federal income taxes incurred	\$ 563,271	
Change in net deferred income taxes	3,520	
Total statutory income taxes	\$ 566,791	

Notes to Financial Statement

- E. As of December 31, 2006 and 2005 the Company has no operating loss carry forwards to utilize.
- F. The Company is a party to a tax sharing agreement with Promedica Insurance Corporation (PIC), Paramount Preferred Options (PPO), Paramount Insurance Company (PICO), Paramount Care, Inc. (PCI) and Paramount Benefits Agency (PBA). Tax returns are completed on a consolidated basis. However, allocation is based upon separate return calculations with current credit for net losses. The method of allocation between the companies is subject to a written agreement approved by the Board of Directors. Intercompany tax balances are settled through the holding company.

10. Information Concerning Parent, Subsidiaries and Affiliates

The Company is ultimately controlled by ProMedica Health System, Inc. (‘ProMedica’), a nonprofit holding company exempt from federal taxation under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code. The Company’s affiliates include PICO, PPO, PCI, PBA, Paramount Enhanced Care Management (PECM) and Paramount Advantage (PA). The Company also has many area hospitals as affiliates such as Toledo Hospital, Toledo Children’s Hospital, Flower Hospital, Bay Park Hospital, Emma L. Bixby Hospital, Defiance Hospital, Fostoria Hospital and Herrick Memorial Hospital. ProMedica Physician Group, a group of physicians owned by ProMedica, is also an affiliate of the Company.

The Company shares employees, services and assets pursuant to a Management Services Sharing Agreement with PCI. The shared services include member services, sales, accounting, information systems, medical direction and management, claims processing, provider relations and community relations. The cost of shared services is allocated between the Company and PCI based upon the percentage of subscribers at the end of each calendar month. For the years ended December 31, 2006 and 2005 the Company was allocated general administrative expenses of \$1,508,431 and \$1,916,883.

Promedica allocates corporate overhead to all Promedica entities pursuant to a Cost Allocation Agreement. The Company was allocated \$273,060 and \$107,438 of overhead expense in 2006 and 2005, respectively. The amount is to compensate Promedica for the services provided to the Company for corporate staff primarily in management, legal services, information services and investment management.

Balances outstanding with affiliated entities at December 31, 2006 and 2005

	2006		2005	
	Due from	Due to	Due from	Due to
Paramount Health Care	\$ 639,690		\$ 1,629,825	
Lenewee Health Alliance		12,982	1,765	
Promedica Health System				7,594
The Toledo Hospital		121		120
	\$ 639,690	\$ 13,103	\$ 1,631,590	\$ 7,714

Premiums billed to affiliated entities during fiscal year 2006 and 2005

	2006		2005	
	Premiums		Premiums	
Lenewee Health Alliance	\$ 7,593,637	\$	6,230,762	

Notes to Financial Statement

Claims paid to affiliated entities during fiscal year 2006 and 2005

	2006	2005
Bay Park Community Hospital	\$235,042	\$105,152
Emma L Bixby Medical Center	2,246,612	3,104,629
Defiance Hospital	122	376
Flower Hospital	2,002,408	2,004,838
Herrick Memorial Hospital	746,288	913,137
Lake Park Skilled Nursing	245,762	298,791
Promed Phys LLC	438,037	642,128
Promedica Laboratories	162,888	118,977
The Toledo Hospital	5,942,290	4,938,962
Total	\$12,019,449	\$12,126,990

11. Debt

-NOT APPLICABLE

12. Retirement Plans, Deferred Compensation, Post employment Benefits and Compensated Absences and Other Postretirement Plans

- A. The company does not participate in defined benefit plans.
- B. Effective July 1, 2002, the System extended the ProMedica pension plan to the eligible employees of Paramount. The pension costs for Paramount are based on a direct calculation of certain cost components and the application of reasonable methodology for other cost components.
- The company sponsors a 401(k) savings plan, whereby eligible employees may voluntarily contribute a percentage of their annual compensation. Under the provision of the plan, the Company annually matches employees' contributions up to 3% of compensation. All employees with at least one year of service are eligible for the plan match. If an employee has ten or more years of pension vesting service and is paid at least 1000 hours during the plan year and is employed at December 31 of any year, the company will contribute 2% of the employee's pay to his or her 401 (k) account. For the years ended December 31, 2006 and 2005, contributions by the Company amounted to \$7,223 and \$3,662 respectively.
- C. The company does not participate in a multi-employer plan.
- D. The company participates in a Consolidated/Holding Company Plan. See description at [A] above.

13. Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

- A. The Company has 60,000 shares authorized and 1 share issued and outstanding.
- B. The Company has no preferred stock.
- C. During fiscal year 2006 and 2005 no dividends were paid to shareholders.
- D. Within the limitations of [C] above, there are no restrictions placed on the portion of Company profits that may be paid as ordinary dividends to stockholders.
- E. There were no restrictions placed on the Company's surplus.
- F. The Company did not receive any dividends in 2006 and 2005.
- G. There is no stock being held by the Company.

Notes to Financial Statement

- H. The Company has no special surplus funds.
- I. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is zero.
- J. The Company has no surplus debentures or other outstanding obligations.
- K. The Company was not involved in a quasi-reorganization during the year.

14. Contingencies

As of the date of this filing, Management is not aware of any contingent commitments, assessments or other contingencies that would materially impact the company.

15. Leases

The Company has entered into lease agreements for office space and office equipment. Rental expense charged to operations amounted to \$20,748 and \$20,289 in 2006 and 2005, respectively.

At January 1, 2007, the minimum aggregate rental commitments are as follows:

Year Ending December 31,	
2007	\$2,304

The Company is not party to any capital or leveraged lease agreements, nor is it a lessor.

16. Information About Financial Instruments With Off-Balance Sheet Risk And Financial Instruments With Concentration of Risk:

-NOT APPLICABLE

17. Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities

-NOT APPLICABLE

18. Gains or Loss from Uninsured A&H Plans and the Uninsured Portion or Partially Insured Plans

-NOT APPLICABLE

19. Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

-NOT APPLICABLE

20. September 11 Events

-NOT APPLICABLE

21. Other

The Company has no extraordinary items, troubled debt restructuring or other unusual disclosures to make.

22. Subsequent Events

There were no Type I or Type II subsequent events at the time of this filing that would materially alter the financial position of the Company.

Notes to Financial Statement

23. Reinsurance

A. Ceded Reinsurance Report

Section 1

1. None of the reinsurers listed in Schedule S as non-affiliated, are owned in excess of 10% or controlled, either directly or indirectly, by the company or by any representative, officer, trustee or director of the company.
2. None of the policies issued by the company have been reinsured with a company chartered in a country other than the United States (excluding U.S. Branches of such companies) that is owned in excess of 10% or controlled directly or indirectly by an insured, a beneficiary, a creditor or an insured or any other person not primarily engaged in the insurance business.

Section 2

1. The company does not have any reinsurance agreements in effect under which the reinsurer may unilaterally cancel any reinsurance for reasons other than for nonpayment of premium or other similar credit.
2. The company does not have any reinsurance agreements in effect such that the amount of losses paid or accrued through the statement date may result in a payment to the reinsurer of amounts that, in aggregate and allowing for offset of mutual credits from other reinsurance agreements with the same reinsurer, exceed the total direct premium collected under the reinsured policies.

Section 3

1. The aggregate reduction in surplus for termination of all reinsurance agreements, by either party, as of the date of this statement is \$62,423.
2. No new agreements have been executed or existing agreements amended since January 1, 2006 to include policies or contracts that were in force or which had existing reserves established by the company as of the effective date of the agreement.

B. The Company does not have any uncollectible reinsurance recorded on its books.

C. The company had no commutation of reinsurance.

24. Retrospectively Rated Contracts

-NOT APPLICABLE

25. Change in Incurred Claims and Claim Adjustment Expenses

As reported in the Underwriting and Investment Exhibit, part 2B, the estimated claim reserve as of December 31, 2005 was \$3,032,861. Actual payments made in 2006 against this claim reserve totaled \$2,761,860. The net change in estimate is \$271,031.

26. Intercompany Pooling Arrangements

-NOT APPLICABLE

27. Structured Settlements

-NOT APPLICABLE

28. Health Care Receivables

The Company estimates its pharmaceutical rebate receivables based on historical recoveries per script and the number of scripts written.

Notes to Financial Statement

Quarter	Estimated Pharmacy Rebates	Pharmacy Rebates as Billed	Actual Rebates Received within 90 days of billing	Actual Rebates Received within 91-180 days of billing	Actual Rebates Received More than 180 days after billing
12/31/2006	81,366	81,366	-	17,972	-

29. Participating Policies

-NOT APPLICABLE

30. Premium Deficiency Reserves

As of December 31, 2006 and 2005, the Company had no liability related to premium deficiency reserves. The Company did consider anticipated investment income when calculating its premium deficiency reserves.

31. Anticipated Salvage and Subrogation

The Company did not have any salvage and subrogation in the current year.

32. Organization and Operation

Paramount Care of Michigan, Inc. (Company) was incorporated for the purpose of providing comprehensive health care services on a prepaid basis and establishing and operating a health maintenance organization in southeastern Michigan. The Company is a wholly owned subsidiary of Promedica Insurance Corporation (PIC), formerly known as Vanguard Health Ventures, Inc., which in turn is a wholly owned subsidiary of Promedica Health System (Promedica). The Company formally commenced operations on December 1, 1997.

The statements of revenues and expenses reflect revenues, cost of health care services, and general and administrative expenses relating to risk contracts only.

32. Minimum Net Worth

Under the laws of the State of Michigan, the Plan is required to maintain a statutory certificate of deposit based on 5% of the net revenue from risk contracts plus an additional \$100,000 with a maximum of \$1,000,000. This amount is maintained in the cash balance on the asset page and is broken out separately on the schedule of special deposits. The statutory deposit was calculated as follows:

Net earned subscription revenue	\$34,469,375
	<u>X5%</u>
5% of revenue	\$ 1,723,469
Total required deposit	\$ 1,000,000
Actual deposited amount	\$ 1,000,000

Under the laws of the State of Michigan, the Plan is also required to maintain a working capital amount of greater than \$250,000. The working capital calculation is as follows:

Current Assets	\$11,567,511
Current Liabilities	<u>(\$6,252,813)</u>
Working Capital	\$5,314,698

The company is also expected to maintain a minimum net worth determined by using accounting procedures approved by the commissioner that ensure that a health

Notes to Financial Statement

maintenance organization is financially and actuarially sound. The commissioner takes into account the risk-based capital requirements as developed by the national association of insurance commissioners in order to determine adequate compliance.

PCM Total Adjusted Capital	\$6,321,319
Company Action Level 200%	\$4,064,818
Regulatory Action Level 150%	\$3,048,614
Authorized Action Level 100%	\$2,032,409

SUMMARY INVESTMENT SCHEDULE

Investment Categories		Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
		1 Amount	2 Percentage	3 Amount	4 Percentage
1.	Bonds:				
1.1	U.S. treasury securities				
1.2	U.S. government agency obligations (excluding mortgage-backed securities):				
1.21	Issued by U.S. government agencies				
1.22	Issued by U.S. government sponsored agencies				
1.3	Foreign government (including Canada, excluding mortgage-backed securities)				
1.4	Securities issued by states, territories, and possessions and political subdivisions in the U.S.:				
1.41	States, territories and possessions general obligations				
1.42	Political subdivisions of states, territories and possessions and political subdivisions general obligations				
1.43	Revenue and assessment obligations				
1.44	Industrial development and similar obligations				
1.5	Mortgage-backed securities (includes residential and commercial MBS):				
1.51	Pass-through securities:				
1.511	Issued or Guaranteed by GNMA				
1.512	Issued or Guaranteed by FNMA and FHLMC				
1.513	All other				
1.52	CMOs and REMICs:				
1.521	Issued or guaranteed by GNMA, FNMA, FHLMC or VA				
1.522	Issued by non-U.S. Government issuers and collateralized by mortgage-backed securities issued or guaranteed by agencies shown in Line 1.521				
1.523	All other				
2.	Other debt and other fixed income securities (excluding short term):				
2.1	Unaffiliated domestic securities (includes credit tenant loans rated by the SVO)				
2.2	Unaffiliated foreign securities				
2.3	Affiliated securities				
3.	Equity interests:				
3.1	Investments in mutual funds				
3.2	Preferred stocks:				
3.21	Affiliated				
3.22	Unaffiliated				
3.3	Publicly traded equity securities (excluding preferred stocks):				
3.31	Affiliated				
3.32	Unaffiliated				
3.4	Other equity securities:				
3.41	Affiliated				
3.42	Unaffiliated				
3.5	Other equity interests including tangible personal property under lease:				
3.51	Affiliated				
3.52	Unaffiliated				
4.	Mortgage loans:				
4.1	Construction and land development				
4.2	Agricultural				
4.3	Single family residential properties				
4.4	Multifamily residential properties				
4.5	Commercial loans				
4.6	Mezzanine real estate loans				
5.	Real estate investments:				
5.1	Property occupied by company				
5.2	Property held for production of income (including \$.....0 of property acquired in satisfaction of debt)				
5.3	Property held for sale (including \$.....0 property acquired in satisfaction of debt)				
6.	Contract loans				
7.	Receivables for securities				
8.	Cash, cash equivalents and short-term investments	11,495,092	100.000	11,495,092	100.000
9.	Other invested assets				
10.	Total invested assets	11,495,092	100.000	11,495,092	100.000

GENERAL INTERROGATORIES
PART 1 - COMMON INTERROGATORIES
GENERAL

- 1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer?

Yes[X] No[]
- 1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations?

Yes[X] No[] N/A[]
- 1.3 State Regulating?

Michigan
- 2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity?

Yes[] No[X]
- 2.2 If yes, date of change:
- 3.1 State as of what date the latest financial examination of the reporting entity was made or is being made.

12/31/2003
- 3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released.

12/31/2003
- 3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date).

12/09/2004
- 3.4 By what department or departments?

Michigan Department of Insurance
- 4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.11 sales of new business?

Yes[] No[X]
- 4.12 renewals?
- 4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

Yes[] No[X]
- 4.21 sales of new business?

Yes[] No[X]
- 4.22 renewals?
- 5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement?

Yes[] No[X]
- 5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1	2	3
Name of Entity	NAIC Company Code	State of Domicile

- 6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period?

Yes[] No[X]
- 6.2 If yes, give full information:
- 7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity?

Yes[] No[X]
- 7.2 If yes,
- 7.21 State the percentage of foreign control

0.000%
- 7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact)

1	2
Nationality	Type of Entity

- 8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board?

Yes[] No[X]
- 8.2 If response to 8.1 is yes, please identify the name of the bank holding company.
- 8.3 Is the company affiliated with one or more banks, thrifts or securities firms?

Yes[] No[X]
- 8.4 If response to 8.3 is yes, please provide the names and location (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e., the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Office of Thrift Supervision (OTS), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC) and identify the affiliate's primary federal regulator.

1	2	3	4	5	6	7
Affiliate Name	Location (City, State)	FRB	OCC	OTS	FDIC	SEC
		.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .	.. Yes[] No[X] .

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?

Deloitte & Touche LLP, Suite 900, 600 Renaissance Center, Detroit, MI 48243-1895
10. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?

Timothy Gustafson FSA,MAAA, Deloitte & Touche LLP, 180 N. Stenson Ave., Chicago, IL 60601
- 11.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly?

Yes[] No[X]
- 11.11 Name of real estate holding company
- 11.12 Number of parcels involved

0
- 11.13 Total book/adjusted carrying value

\$ 0
- 11.2 If yes, provide explanation
12. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:
- 12.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?
- 12.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located?

Yes[] No[] N/A[X]
- 12.3 Have there been any changes made to any of the trust indentures during the year?

Yes[] No[] N/A[X]
- 12.4 If answer to (12.3) is yes, has the domiciliary or entry state approved the changes?

Yes[] No[] N/A[X]

GENERAL INTERROGATORIES (Continued)
BOARD OF DIRECTORS

13. Is the purchase or sale of all investments of the reporting entity passed upon either by the Board of Directors or a subordinate committee thereof?

Yes[] No[X]
14. Does the reporting entity keep a complete permanent record of the proceedings of its Board of Directors and all subordinate committees thereof?

Yes[X] No[]
15. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person?

Yes[X] No[]

FINANCIAL

- 16.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):

16.11 To directors or other officers

16.12 To stockholders not officers

16.13 Trustees, supreme or grand (Fraternal only)

16.2 Total amount of loans outstanding at end of year (inclusive of Separate Accounts, exclusive of policy loans):

16.21 To directors or other officers

16.22 To stockholders not officers

16.23 Trustees, supreme or grand (Fraternal only)

17.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement?

Yes[] No[X]

17.2 If yes, state the amount thereof at December 31 of the current year:

17.21 Rented from others

17.22 Borrowed from others

17.23 Leased from others

17.24 Other

18.1 Does this statement include payments for assessments as described in the Annual Statement Instructions other than guaranty fund or guaranty association assessments?

Yes[] No[X]

18.2 If answer is yes:

18.21 Amount paid as losses or risk adjustment

18.22 Amount paid as expenses

18.23 Other amounts paid

19.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement?

Yes[X] No[]

19.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount:

\$ 0
- INVESTMENT
- 20.1 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date, except as shown by Schedule E - Part 3 - Special Deposits?

Yes[] No[X]

20.2 If no, give full and complete information, relating thereto:
Mellon Trust

Yes[] No[X]

21.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity, except as shown on Schedule E - Part 3 - Special Deposits, or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 17.1).

Yes[] No[X]

21.2 If yes, state the amount thereof at December 31 of the current year:

21.21 Loaned to others

21.22 Subject to repurchase agreements

21.23 Subject to reverse repurchase agreements

21.24 Subject to dollar repurchase agreements

21.25 Subject to reverse dollar repurchase agreements

21.26 Pledged as collateral

21.27 Placed under option agreements

21.28 Letter stock or securities restricted as to sale

21.29 Other

21.3 For category (21.28) provide the following:

1 Nature of Restriction	2 Description	3 Amount
.....

22.1 Does the reporting entity have any hedging transactions reported on Schedule DB?

Yes[] No[X]

22.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state?
If no, attach a description with this statement.

Yes[] No[] N/A[X]

23.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity?

Yes[] No[X]

23.2 If yes, state the amount thereof at December 31 of the current year.

\$ 0

24. Excluding items in Schedule E, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Part 1 - General, Section IV.H - Custodial or Safekeeping agreements of the NAIC Financial Condition Examiners Handbook?

Yes[] No[X]

24.01 For agreements that comply with the requirements of the NAIC Financial Condition Examiners Handbook, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
Mellon Trust	Three Mellon Center, Suite153-3925, Pittsburg, PA

24.02 For all agreements that do not comply with the requirements of the NAIC Financial Condition Examiners Handbook, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)
.....
- 27.1

GENERAL INTERROGATORIES (Continued)

24.03 Have there been any changes, including name changes, in the custodian(s) identified in 24.01 during the current year? Yes[] No[X]
24.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason
.....

24.05 Identify all investment advisers, brokers/dealers or individuals acting on behalf of broker/dealers that have access to the investment accounts, handle securities and have authority to make investments on behalf of the reporting entity:

1 Central Registration Depository Number(s)	2 Name	3 Address
.....

25.1 Does the reporting entity have any diversified mutual funds reported in Schedule D, Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b)(1)])? Yes[] No[X]
25.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
25.2999 Total

25.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation
.....

26. Provide the following information for all short term and long term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
26.1 Bonds
26.2 Preferred stocks
26.3 Totals

26.4 Describe the sources of methods utilized in determining the fair values
New York Stock Exchange, American Stock Exchange, NASDAQ, NAIC

27.1 Have all the filing requirements of the Purposes and Procedures Manual of the NAIC Securities Valuation Office been followed? Yes[X] No[]
27.2 If no, list exceptions:

OTHER

28.1 Amount of payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus, if any? \$. 28,860
28.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to Trade Associations, Service Organizations and Statistical or Rating Bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Michigan Association of Health Plans	28,860

29.1 Amount of payments for legal expenses, if any? \$. 18,912
29.2 List the name of the firm and the amount paid if any such payments represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
.....

30.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or department of government, if any? \$. 0
30.2 List the name of firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies officers or department of government during the period covered by this statement.

GENERAL INTERROGATORIES (Continued)

1 Name	2 Amount Paid
.....

GENERAL INTERROGATORIES (Continued)

PART 2 - HEALTH INTERROGATORIES

- 1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force?

Yes[] No[X]
- 1.2 If yes, indicate premium earned on U.S. business only:

\$ 0
- 1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit?

\$ 0
- 1.31 Reason for excluding:
- 1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above.

\$ 0
- 1.5 Indicate total incurred claims on all Medicare Supplement insurance.

\$ 0
- 1.6 Individual policies - Most current three years:
- 1.61 Total premium earned

\$ 0
- 1.62 Total incurred claims

\$ 0
- 1.63 Number of covered lives

..... 0
- All years prior to most current three years:
- 1.64 Total premium earned

\$ 0
- 1.65 Total incurred claims

\$ 0
- 1.66 Number of covered lives

..... 0
- 1.7 Group policies - Most current three years:
- 1.71 Total premium earned

\$ 0
- 1.72 Total incurred claims

\$ 0
- 1.73 Number of covered lives

..... 0
- All years prior to most current three years:
- 1.74 Total premium earned

\$ 0
- 1.75 Total incurred claims

\$ 0
- 1.76 Number of covered lives

..... 0

2. Health Test

		1	2
		Current Year	Prior Year
2.1	Premium Numerator	34,469,375	30,743,039
2.2	Premium Denominator	34,469,375	30,743,039
2.3	Premium Ratio (2.1 / 2.2)	1.000	1.000
2.4	Reserve Numerator	4,025,830	3,032,861
2.5	Reserve Denominator	4,025,830	3,032,861
2.6	Reserve Ratio (2.4 / 2.5)	1.000	1.000

- 3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits?

Yes[] No[X]
- 3.2 If yes, give particulars:
- 4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency?

Yes[X] No[]
- 4.2 If not previously filed furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered?

Yes[] No[X]
- 5.1 Does the reporting entity have stop-loss reinsurance?

Yes[X] No[]
- 5.2 If no, explain:
- 5.3 Maximum retained risk (see instructions):
- 5.31 Comprehensive Medical

\$ 165,000
- 5.32 Medical Only

\$ 0
- 5.33 Medicare Supplement

\$ 0
- 5.34 Dental

\$ 0
- 5.35 Other Limited Benefit Plan

\$ 0
- 5.36 Other

\$ 0
6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

The plan has held harmless provisions with network hospitals. The company's reinsurance contract does provide for payment of certain benefits for 30 days following an event of insolvency
- 7.1 Does the reporting entity set up its claim liability for provider services on a service date base?

Yes[X] No[]
- 7.2 If no, give details:
8. Provide the following information regarding participating providers:
- 8.1 Number of providers at start of reporting year

..... 1,471
- 8.2 Number of providers at end of reporting year

..... 1,426
- 9.1 Does the reporting entity have business subject to premium rate guarantees?

Yes[] No[X]
- 9.2 If yes, direct premium earned:
- 9.21 Business with rate guarantees between 15-36 months

..... 0
- 9.22 Business with rate guarantees over 36 months

..... 0
- 10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts?

Yes[] No[X]
- 10.2 If yes:
- 10.21 Maximum amount payable bonuses

\$ 0
- 10.22 Amount actually paid for year bonuses

\$ 0
- 10.23 Maximum amount payable withholds

\$ 0
- 10.24 Amount actually paid for year withholds

\$ 0
- 11.1 Is the reporting entity organized as:
- 11.12 A Medical Group/Staff Model,

Yes[] No[X]
- 11.13 An Individual Practice Association (IPA), or,

Yes[] No[X]
- 11.14 A Mixed Model (combination of above)?

Yes[X] No[]
- 11.2 Is the reporting entity subject to Minimum Net Worth Requirements?

Yes[X] No[]
- 11.3 If yes, show the name of the state requiring such net worth.

Michigan
- 11.4 If yes, show the amount required.

\$ 4,064,818
- 11.5 Is this amount included as part of a contingency reserve in stockholder's equity?

Yes[] No[X]
- 11.6 If the amount is calculated, show the calculation.

200% of RBC

12. List service areas in which the reporting entity is licensed to operate:

1
Name of Service Area
Lenewee
Monroe

FIVE-YEAR HISTORICAL DATA

	1 2006	2 2005	3 2004	4 2003	5 2002
BALANCE SHEET (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 26)	12,574,133	8,949,705	7,951,478	4,637,029	4,392,750
2. Total liabilities (Page 3, Line 22)	6,252,814	3,628,827	2,963,344	2,798,078	1,970,346
3. Statutory surplus					
4. Total capital and surplus (Page 3, Line 31)	6,321,319	5,320,878	4,988,134	1,838,950	2,422,404
INCOME STATEMENT (Page 4)					
5. Total revenues (Line 8)	34,469,375	30,743,039	27,814,359	20,586,972	13,329,293
6. Total medical and hospital expenses (Line 18)	30,439,205	28,129,187	25,331,724	18,921,655	11,896,748
7. Claims adjustment expenses (Line 20)	420,439	586,334	469,976	142,280	95,116
8. Total administrative expenses (Line 21)	2,435,193	2,708,602	2,611,375	2,301,644	1,245,217
9. Net underwriting gain (loss) (Line 24)	1,174,538	(381,084)	(898,716)	(778,607)	(2,904)
10. Net investment gain (loss) (Line 27)	413,600	188,640	23,225	22,136	24,845
11. Total other income (Lines 28 plus 29)	(15)				
12. Net income or (loss) (Line 32)	1,021,332	(97,988)	(668,379)	(484,028)	19,214
RISK-BASED CAPITAL ANALYSIS					
13. Total adjusted capital	6,321,319	5,320,878	4,988,134	1,838,950	2,422,404
14. Authorized control level risk-based capital	2,032,409	1,950,559	1,820,434	1,209,340	757,922
ENROLLMENT (Exhibit 1)					
15. Total members at end of period (Column 5, Line 7)	8,403	8,101	8,171	7,676	4,504
16. Total members months (Column 6, Line 7)	100,420	97,677	96,822	76,059	47,726
OPERATING PERCENTAGE (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3 and 5) x 100.0					
17. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
18. Total hospital and medical plus other non-health (Lines 18 plus Line 19) ..	88	91	91	92	89
19. Cost containment expenses	1	1	1	X X X	X X X
20. Other claims adjustment expenses	1	1	1	1	
21. Total underwriting deductions (Line 23)	97	101	103	104	100
22. Total underwriting gain (loss) (Line 24)	3	(1)	(3)	(4)	0
UNPAID CLAIMS ANALYSIS					
(U&I Exhibit, Part 2B)					
23. Total claims incurred for prior years (Line 13, Column 5)	2,844,142	1,994,359	1,689,391	1,197,106	1,137,059
24. Estimated liability of unpaid claims-[prior year (Line 13, Column 6)]	3,032,861	2,180,266	2,069,565	1,613,265	1,517,661
INVESTMENTS IN PARENT, SUBSIDIARIES AND AFFILIATES					
25. Affiliated bonds (Sch. D Summary, Line 25, Column 1)					
26. Affiliated preferred stocks (Sch. D Summary, Line 39, Column 1)					
27. Affiliated common stocks (Sch. D Summary, Line 53, Column 2)					
28. Affiliated short-term investments (subtotal included in Sch. DA, Part 2, Column 5, Line 11)					
29. Affiliated mortgage loans on real estate					
30. All other affiliated					
31. Total of above Lines 25 to 30					

31 **Schedule A - Verification** **NONE**

31 **Schedule B - Verification** **NONE**

31 **Schedule BA - Verification** **NONE**

32 **Schedule D - Summary by Country** **NONE**

32 **Schedule D - Verification** **NONE**

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS
ALLOCATED BY STATES AND TERRITORIES

		1	2	Direct Business Only					
				3	4	5	6	7	8
State, Etc.		Guaranty Fund (Yes or No)	Is Insurer Licensed (Yes or No)	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Program Premiums	Life & Annuity Premiums & Deposit-Type Contract Funds	Property/ Casualty Premiums
1.	Alabama (AL)	No	No						
2.	Alaska (AK)	No	No						
3.	Arizona (AZ)	No	No						
4.	Arkansas (AR)	No	No						
5.	California (CA)	No	No						
6.	Colorado (CO)	No	No						
7.	Connecticut (CT)	No	No						
8.	Delaware (DE)	No	No						
9.	District of Columbia (DC)	No	No						
10.	Florida (FL)	No	No						
11.	Georgia (GA)	No	No						
12.	Hawaii (HI)	No	No						
13.	Idaho (ID)	No	No						
14.	Illinois (IL)	No	No						
15.	Indiana (IN)	No	No						
16.	Iowa (IA)	No	No						
17.	Kansas (KS)	No	No						
18.	Kentucky (KY)	No	No						
19.	Louisiana (LA)	No	No						
20.	Maine (ME)	No	No						
21.	Maryland (MD)	No	No						
22.	Massachusetts (MA)	No	No						
23.	Michigan (MI)	No	Yes	24,505,567	10,257,711				
24.	Minnesota (MN)	No	No						
25.	Mississippi (MS)	No	No						
26.	Missouri (MO)	No	No						
27.	Montana (MT)	No	No						
28.	Nebraska (NE)	No	No						
29.	Nevada (NV)	No	No						
30.	New Hampshire (NH)	No	No						
31.	New Jersey (NJ)	No	No						
32.	New Mexico (NM)	No	No						
33.	New York (NY)	No	No						
34.	North Carolina (NC)	No	No						
35.	North Dakota (ND)	No	No						
36.	Ohio (OH)	No	No						
37.	Oklahoma (OK)	No	No						
38.	Oregon (OR)	No	No						
39.	Pennsylvania (PA)	No	No						
40.	Rhode Island (RI)	No	No						
41.	South Carolina (SC)	No	No						
42.	South Dakota (SD)	No	No						
43.	Tennessee (TN)	No	No						
44.	Texas (TX)	No	No						
45.	Utah (UT)	No	No						
46.	Vermont (VT)	No	No						
47.	Virginia (VA)	No	No						
48.	Washington (WA)	No	No						
49.	West Virginia (WV)	No	No						
50.	Wisconsin (WI)	No	No						
51.	Wyoming (WY)	No	No						
52.	American Samoa (AS)	No	No						
53.	Guam (GU)	No	No						
54.	Puerto Rico (PR)	No	No						
55.	U.S. Virgin Islands (VI)	No	No						
56.	Northern Marianas Islands (MP)	No	No						
57.	Canada (CN)	No	No						
58.	Aggregate other alien (OT)	X X X	X X X						
59.	Subtotal	X X X	X X X	24,505,567	10,257,711				
60.	Reporting entity contributions for Employee Benefit Plans	X X X	X X X						
61.	TOTAL (Direct Business)	X X X	(a) 1	24,505,567	10,257,711				
DETAILS OF WRITE-INS									
5801.		X X X	X X X						
5802.		X X X	X X X						
5803.		X X X	X X X						
5898.	Summary of remaining write-ins for Line 58 from overflow page	X X X	X X X						
5899.	TOTALS (Lines 5801 through 5803 plus 5898) (Line 58 above)	X X X	X X X						

(a) Insert the number of yes responses except for Canada and Other Alien.
Explanation of basis of allocation of premiums by states, etc.:

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

ORGANIZATION CHART

Paramount Care, Inc. is ultimately controlled by ProMedica Health System, Inc. (“ProMedica”), a nonprofit holding company exempt from federal taxation under Section 501(c)(3) and 509(a)(3) of the Internal Revenue Code. The following coding system is used to show the interrelationships among the various members of the insurance holding company system:

- A circle means that ProMedica is the sole member/parent of the entity
- ◆ Each entity marked with a diamond is a subsidiary of the entity listed directly above and denoted with a circle.
- Each entity marked with a square is a subsidiary of the entity listed directly above and marked with a diamond.
- Each entity marked with an arrow is a member of the insurance holding company system.

The following list depicts the identities and interrelationships of affiliated persons within the insurance holding company system.

- ProMedica Foundation, an Ohio nonprofit corporation
- ProMedica Health, Education and Research Corporation, an Ohio nonprofit corporation
- Fostoria Hospital Association, an Ohio nonprofit corporation
- ◆ Fostoria Community Hospital Foundation, an Ohio nonprofit corporation
- ProMedica Health, Education and Research Corporation Foundation, an Ohio nonprofit corporation
- ProMedica Physician Corporation f/k/a ProMedica Physicians Enterprises, an Ohio nonprofit corporation .
- ◆ ProMedica Physician Hospital Organization, Inc., an Ohio for-profit corporation and a wholly-owned subsidiary of ProMedica Physician Corporation
- ◆ ProMedica Physician Group, Inc., an Ohio professional association which is beneficially owned by ProMedica Physician Corporation pursuant to the terms of a Share Control Agreement, dated as of June 2, 1999, by and among ProMedica Physician Corporation, Lee Hammerling, M.D. and ProMedica Physician Group, Inc. Dr. Hammerling holds legal ownership of all outstanding shares of capital stock of ProMedica Physician Group.
 - ProMedica Central Corporation of Michigan, a Michigan nonprofit corporation and a wholly-owned subsidiary of ProMedica Physician Group, Inc.
 - ProMedica Central Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
 - ProMedica North Physicians Corporation, a Michigan nonprofit stock corporation and a wholly-owned subsidiary of ProMedica Physician Group, Inc.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

- ProMedica West Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica South Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica East Physicians, LLC, an Ohio limited liability company with ProMedica Physician Group, Inc. as its sole member
- ProMedica Indemnity Company, Ltd., a Bermuda corporation
- ProMedica Indemnity Corporation, a Vermont nonprofit corporation
- ProMedica Insurance Corporation f/k/a ProMedica Health Ventures Corporation f/k/a Vanguard Health Ventures, Incorporated, an Ohio for-profit corporation
 - ◆ Paramount Preferred Options, Inc., an Ohio for-profit corporation, which is wholly-owned by ProMedica Insurance Corporation
 - ◆ Paramount Care, Inc., an Ohio health-insuring corporation and a wholly-owned subsidiary of ProMedica Insurance Corporation
 - ◆ Paramount Benefits Agency, Inc., an Ohio for-profit corporation and a wholly owned subsidiary of ProMedica Insurance Corporation
 - ◆ Paramount Care of Michigan, Inc., a Michigan for-profit corporation and a wholly-owned subsidiary of ProMedica Insurance Corporation
 - ◆ Paramount Insurance Company f/k/a ProMedica Life Insurance Company, a for-profit corporation and a wholly owned subsidiary of ProMedica Insurance Corporation
 - ◆ Paramount Enhanced Care Management Company, a corporation organized exclusively for charitable and educational purposes, a wholly-owned subsidiary of Promedica Insurance Corporation
 - ◆ Paramount Advantage, an Ohio corporation and a wholly owned subsidiary of ProMedica Insurance Corporation
- ProMedica Continuing Care Services Corporation f/k/a Crestview of Ohio, Inc., an Ohio nonprofit corporation
 - ◆ Toledo District Nurse Association, an Ohio nonprofit corporation
 - ◆ Visiting Nurse Extra Care, an Ohio nonprofit corporation
 - ◆ Visiting Nurse Hospice & Health Care, an Ohio nonprofit corporation
- ProMedica Continuing Care Services Corporation Foundation, an Ohio nonprofit corporation

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

- ◆ Visiting Nurse Foundation, an Ohio nonprofit corporation
- Bay Park Community Hospital, an Ohio nonprofit corporation
- Bay Park Community Hospital Foundation, an Ohio nonprofit corporation
- Defiance Hospital, Inc., an Ohio nonprofit corporation
- Defiance Hospital Foundation, an Ohio nonprofit corporation
- Lenawee Health Alliance, Inc., a Michigan nonprofit corporation
- ◆ Emma L. Bixby Medical Center, a Michigan nonprofit corporation and a wholly-owned subsidiary of Lenawee Health Alliance, Inc.
 - Bixby Community Hospital Foundation, a Michigan nonprofit corporation and a wholly-owned subsidiary of Emma L. Bixby Medical Center
 - Lenawee Long Term Care Corporation, a Michigan nonprofit corporation and a wholly-owned subsidiary of Emma L. Bixby Medical Center
- ◆ Herrick Memorial Hospital, Inc., a Michigan nonprofit corporation and a wholly-owned subsidiary of Lenawee Health Alliance, Inc.
 - Herrick Foundation, a Michigan nonprofit corporation and a wholly-owned subsidiary of Herrick Memorial Hospital, Inc.
 - Herrick Development Corporation, a Michigan nonprofit corporation and a wholly-owned subsidiary of Herrick Memorial Hospital, Inc.
- The Toledo Hospital, an Ohio nonprofit corporation, of which Toledo Children’s Hospital f/k/a ProMedica Children’s Medical Center of Northwest Ohio is a division
 - ◆ Reynolds Road Fitness Center, an Ohio corporation that is a wholly owned subsidiary of The Toledo Hospital
 - ◆ Reynolds Road Surgery Center, LLC, an Ohio limited liability company in which The Toledo Hospital has a 67% ownership interest, with various physicians having a remaining 33% interest.
 - ◆ Parkway Surgery Center, LLC, an Ohio limited liability company in which The Toledo Hospital has a 40% ownership interest, with various physicians having a remaining 60% interest.
 - ◆ Central Region Properties, an Ohio corporation that is a wholly owned subsidiary of The Toledo Hospital.

SCHEDULE Y - INFORMATION CONCERNING ACTIVITIES OF INSURER
MEMBERS OF A HOLDING COMPANY GROUP
PART 1 - ORGANIZATIONAL CHART

- The Toledo Hospital Foundation f/k/a ProMedica Foundation, an Ohio nonprofit corporation
- Toledo Children’s Hospital Foundation, an Ohio nonprofit corporation
- Flower Hospital, an Ohio nonprofit corporation
- Flower Hospital Foundation, an Ohio nonprofit corporation

Other Affiliated Entities

- BVPH Ventures, Inc., an Ohio non-profit corporation in which each of ProMedica Health System, Inc. and Blanchard Valley Health Association, an Ohio nonprofit corporation, hold a 50% ownership interest
- Lima Memorial Joint Operating Company, an Ohio non-profit corporation, in which Lima Memorial Hospital, an Ohio non-profit corporation, and BVPH Ventures, Inc. each hold a 50% ownership interest.